

## Message Text

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46

ACTION NEA-12

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 NSC-10 SS-15

STR-08 CEA-02 L-03 H-02 SCEM-02 INT-08 PM-07 DODE-00

PA-03 USIA-12 PRS-01 RSR-01 ( ADP ) W

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R 281309 Z JUN 73

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2919

INFO AMEMBASSY WARSAW

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E. O. 11652: NA

TAGS: EAID, PL, IR

SUBJECT: POLISH IRANIAN ECONOMIC AGREEMENTS

REF: A. STATE 113494 B. TEHRAN 4102

1. SUMMARY: THREE AGREEMENTS SIGNED IN WARSAW ON MAY 18 FACILITATE INCREASED TRADE, PROVIDE OIL FOR POLAND AND GIVE IRAN EGO-BOOST BY FIXING RIAL AS THE MEDIUM OF EXCHANGE IN BILATERAL TRADE UNDER AGREEMENT. THIS ALSO MARKS FIRST TIME IRAN HAS EXTENDED FORMAL RIAL CREDIT COMMITMENT TO FOREIGN COUNTRY.

2. UNDER FIRST AGREEMENT POLAND WILL EXTEND IRAN CREDIT OF SEVEN BILLION RIALS ( U. S. \$103.7 MILLION) REPAYABLE OVER 12 YEARS AT 2.5 PERCENT. THIS CREDIT EARMARKED FOR PURCHASE OF HEAVY MACHINERY, CEMENT, SUGAR AND TEXTILES. RIAL REPAYMENTS TO FINANCE PURCHASE OF IRANIAN GOODS.

3. IN SECOND AGREEMENT IRAN WILL EXTEND ONE BILLION RIAL CREDIT (\$14.8 MILLION) TO POLAND FOR PURCHASE OF CONSUMER DURABLE I. E. LIMITED OFFICIAL USE

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BUSES TRUCKS, REFRIGERATORS, TIRES, SHOES, ETC. CREDIT FOR TWO TO FIVE YEARS DEPENDING ON COMMODITY, INTEREST AT 4 PERCENT.

4. THIRD AGREEMENT CALLS FOR IRAN TO PROVIDE POLAND 300,000 TONS OF CRUDE OIL IN 1973 AND 600,000 TONS IN 1974. HALF OF PAYMENT WILL BE IN CONVERTIBLE FOREIGN CURRENCY AND REMAINDER IN GOODS, INCLUDING MEAT (\$1.1 MILLION), BUTTER (\$2 MILLION), SUGAR (\$1.1 MILLION), PVC, AND OTHER CHEMICAL PRODUCTS (\$2 MILLION) AND TWO 12,000 TON CARGO SHIPS TO BE DELIVERED IN 1974. POLAND ALSO TO BUY \$4.5 MILLION OF OTHER GOODS, MAINLY BUSES (\$3 MILLION).

5. IRANIAN PRESS HAS PLAYED UP POLISH AGREEMENT TO USE RIALS AS BASIS FOR EXCHANGE UNDER FIRST AGREEMENT AS ESTABLISHMENT RIAL AS CONVERTIBLE CURRENCY ON WORLD MARKET. FIRST FORMAL EXTENSION OF CREDIT COMMITMENT TO FOREIGN COUNTRY IN RIALS IN SECOND AGREEMENT ALSO CAUSE LOCAL PRIDE.

6. LAST POLISH CREDIT WAS \$15 MILLION LOAN EXTENDED IN 1964, WHICH REPORTEDLY ALMOST EXHAUSTED. BILATERAL TRADE REACHED \$13.4 MILLION DOLARS IN IRANIAN YEAR 1350 ( MARCH 71- MARCH 72) BUT HAD REACHED LESS THAN HALF THAT LEVEL IN FIRST 9 MONTHS OF 1351. IN FEBRUARY CENTRAL BANK OF IRAN PUBLISHED LISTS OF COMMODITIES APPROVED FOR TRADE WITH POLAND UNDER 1969 LONG TERM AGREEMENT AMOUNTING TO \$20 MILLION EACH WAY IN 1973 AND 23 MILLION IN 1974. HELMS

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